

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 PM-05 H-01  
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IO-13 OMB-01 TRSE-00 /083 W  
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P 141638Z NOV 77  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC PRIORITY 8440

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E.O. 11652: N/A  
TAGS: EAIR, IT  
SUBJECT: U.S.-ITALY CIVIL AIR NEGOTIATIONS

PASS DOT FOR ADAMS, DAVENPORT, AND KAMM

SUMMARY. U.S. AND ITALIAN DELEGATIONS MET NOVEMBER 7-11  
TO DISCUSS ITALIAN REQUESTS FOR REVISION AIR TRANSPORT  
AGREEMENT AND U.S. REQUEST FOR CHARTER AIR SERVICES  
AGREEMENT. DISCUSSION DID NOT NARROW GAPS BETWEEN RESPECTIVE  
POSITIONS ON DESIGNATION, CAPACITY AND ROUTE ISSUES, BUT  
REVEALED MORE CLEARLY THAN BEFORE REASONING BEHIND THESE  
POSITIONS. NOT UNEXPECTEDLY, ITALIANS BALKED AT  
CONCLUDING CHARTER AIR SERVICES AGREEMENT AS PART OF AN  
OVERALL PACKAGE SETTLEMENT. IMMEDIATE ISSUES (USE OF 747  
FREIGHTER AIRCRAFT, CHANGE OF GAUGE OUTSIDE ITALY, ONE-WAY  
CARGO FLIGHTS, DISCRIMINATORY PRACTICES AT ROME AIRPORTS)  
WERE RAISED BY USDEL WITH NO RESOLUTION. RE WINTER CAPABILITY,  
ITALDEL WAS ULTIMATELY UNWILLING TO FOREGO ITS RIGHT UNDER  
1970 MOU TO FOREGO CAPACITY FREEZE ON U.S. AIRLINES. CURRENT  
LOW-PRICE TARIFF FILINGS ALSO DISCUSSED. DELEGATIONS AGREED  
RESUME TALKS IN WASHINGTON ON JANUARY 23, SUBJECT TO CONFIRMATION  
OF DATE. END SUMMARY.

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1. ITALY LISTED 4 ISSUES, NAMELY, DESIGNATION, CAPACITY,  
ROUTES AND TARIFF ARTICLE, AND U.S. ADDED 3 MORE, NAMELY,  
OPERATING CONDITIONS, GROUND HANDLING FEES AND OTHER AIRPORT ISSUES,  
AND CHARTER AIR SERVICES. ITALIANS CONTINUED CALL FOR SINGLE  
DESIGNATION, CAPACITY CONTROL TO DIVIDE CAPACITY 50-50, AND  
CUTBACK IN U.S. ROUTE RIGHTS. USDEL SAID IT DISSATISFIED

WITH PROVISIONS IN EXISTING AGREEMENT WHICH COULD BE USED TO RESTRICT MULTIPLE DESIGNATION, CAPACITY, AND U.S. GATEWAY CITIES /WE FAVORED AN OPEN COMPETITIVE ENVIRONMENT: EXPANSION, NOT CONTRACTION, ROUTE RIGHTS: AND REMOVAL DISCRIMINATORY AIRPORT PRACTICES. MOREOVER, WE HELD THAT ANY NEW AGREEMENT MUST PROVIDE FOR CHARTER AIR SERVICES, NOT ONLY BECAUSE OF GENERAL NEED TO PROVIDE AN INTERGOVERNMENTAL FRAMEWORK FOR CHARTERS BUT ALSO BECAUSE RECENT PRICE COMPETITION ON SCHEDULED SERVICES HAD TO BE MATCHED BY ACCEPTANCE MORE LIBERAL CHARTER RULES

2. ITALDEL GENERALLY OPPOSED THE COMPETITION THRUST OF OUR ARGUMENTS AND AT ONE POINT PUT ITS FINGER ON THE FUNDAMENTAL DIFFERENCE, NAMELY THAT, BECAUSE GOI CANNOT ALLOW ITS NATIONAL AIRLINE, ALITALIA, TO BE WEAKENED FROM COMPETING TOO MUCH WITH U.S. AIRLINES, IT HAD TO PROTECT ALITALIA BY INSISTING ON EQUAL BENEFITS EVEN IF THIS MEANT CUTTING BACK U.S. AIRLINES' ROUTES AND CAPACITY. ALTHOUGH ITALDEL DID NOT ABSOLUTELY REFUSE TO NEGOTIATE CHARTER AIR SERVICES AGREEMENT, IT CLEARLY WAS ATTEMPTING TO AVOID SUCH NEGOTIATIONS ON GROUND ITALIAN CHARTER POLICY WAS BEING REVIEWED IN PARLIAMENT, ITS CHAIRMAN (AMBASSADOR FARACE) HAD NOT AUTHORITY TO NEGOTIATE ON CHARTERS, AND ITALY HAD INVOKED ARTICLE II TO REVISE SCHEDULED SERVICES AGREEMENT ONLY. ITALDEL HELD THAT U.S. WOULD HAVE TO REQUEST SEPARATE CHARTER NEGOTIATIONS. SINCE FARACE WAS OBVIOUSLY EMBARRASSED OVER HIS LIMITED NEGOTIATING AUTHORITY, WE DECIDED NOT TO PRESS CHARTER LINKAGE TO POINT OF CONFRONTATION. THIS WILL HAVE TO BE DONE SUBSEQUENTLY THROUGH LIMITED OFFICIAL USE

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DIPLOMATIC CHANNELS.

3. WE MADE USUAL OBJECTIONS TO ITALIAN INTERPRETATION THAT AGREEMENT PROHIBITED USE OF 747 FREIGHTER AIRCRAFT, CHANGE OF GAUGE OUTSIDE ITALY, AND ONE-WAY CARGO FLIGHTS TO NO AVAIL. PRIVATELY, FARACE SAID HE HAD TRIED TO GET AUTHORITY TO DISCUSS A DEAL INVOLVING THESE QUESTIONS AND BOSTON-CHICAGO COTERMINAL RIGHTS FOR ALITALIA BUT COULD NOT OVERCOME ALITALIA OPPOSITION. WE SUGGESTED DOOR BE KEPT OPEN BECAUSE U.S. WAS WILLING MAKE A REASONABLE DEAL, AND HE AGREED TO DO SO.

4. QUESTION OF WINTER CAPACITY WAS DISCUSSED AT LENGTH. IN THE END, HOWEVER, ITALDEL SAID IT HAD TO INSIST ON U.S. AIRLINE CAPACITY FREEZE UNDER PARA 5(F) OF 1970 MOU. IT ALSO ARGUED THAT MOU DID NOT IMPOSE A COMPARABLE FREEZE ON ALITALIA'S CAPACITY THIS WINTER, AS WE ASSERTED. ITALDEL ASKED THAT TWA DECREASE ITS FREQUENCIES AT MILAN BY 2 747S OR 4 707S OR 1 747 AND 2 707S PER WEEK. USDEL RESPONDED FIRMLY THAT MOU ONLY REQUIRED THAT, IN EVENT OF DISAGREED EX POST FACTO CONSULTATIONS, OVERALL CAPACITY REMAIN SAME AND SAID "USG CANNOT AND WILL NOT" AGREE TO CHANGE TYPE OF AIRCRAFT OR REDUCE FREQUENCIES. INSTEAD, USG WILL ADVISE GOI HOW U.S. AIRLINES WILL

COMPLY WITH MOU, NAMELY REDUCE NUMBER OF SEATS ON SOME AIRCRAFT AVAILABLE FOR SALE TO SAME OVERALL LEVEL AS LST WINTER. ITALDEL DID NOT CHOOSE TO CHALLENGE U.S. STATEMENT AND WE DOUBT GOI WILL TAKE ANY FURTHER ACTION. WE INTENTIONALLY REMAINED SILENT ON WHETHER WE WOULD INSIST ON A RECIPROCAL FREEZE ON ALITALIAN BOTH BECAUSE OUR LEGAL POSITION MAY NOT BE FULLY DEFENSIBLE AND IN ORDER NOT TO GIVE GOI AN EXCUSE TO ORDER TWA TO REDUCE FREQUENCIES.

5. USDEL ATTEMPTED OBTAIN ITALIAN UNDERTAKING THAT, IF CAB APPROVED ALITALIA CIVILAVIA WULD APPROVE U.S. AIRLINE TARIFFS FILED IN ITALY WE CLARIFIED THAT CIVILAVIA HAD APPROVED SUPER APEX FILINGS OF PANAM AND TWA AND TPZT ALITALIA WOULD NOT OFFER THIS FARE. (ITALIANS SAID ALITALIA HAD LIMITED OFFICIAL USE

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WITHDRAWN THE SUPER APEX TARIFF IT HAS FILED WITH CAB). ITALYA WOULD ALSO APPROVE U.S. AIRLINE TARIFFS WHICH MATCHED ALITALIA TARIFF, ASSUMING CAB APPROVES LATTER. HOWEVER, ALTHOUGH CIVILAVIA REP MADE SOME POSITIVE-SOUNDING REMARKS, HE REFUSED COMMIT HIMSELF TO BUDGET FARE FILED BY PANAM AND TWA OR TO PANAM OVERALL TARIFF WHICH DOES OT FULLY MATCH ALITALIA TARIFF. USDEL MADE CLEAR THAT, IF ALITALIA TTARIFF APPROVED BY CAB BUT U.S. AIRLINE TARIFF FILINGS NOT APPROVED, THERE WOULD BE AN INTERGOVERNMENTAL ISSUE WHICH COULD LEAD TO DIFFICULTIES.GARDNER

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## Message Attributes

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**TAGS:** EAIR, IT, US  
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